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Project 30.2043, The Development of the Machine Building
Industry in Communist China, 1949-62

1. This project has benefitted greatly from the last revision. Several sections have been tightened up, use has been made of new aggregate data, and the reasoning of the project as a whole has matured markedly. In fact we now have an excellent study which with a little further attention can be recommended for Office publication.

2. My only serious concern at present is with Section III, on the effects of the first FYP, which are presented as though China's major objective has been the unqualified maximization of economic growth. The reader still receives the impression that the first FYP was somewhat of a failure because China did not put more people to work producing consumer goods. The accomplishments of this period should first be evaluated against the Chinese goals set forth in Section I A. In this context growth appears as one of several objectives. The degree to which they are mutually compatible should be noted. Growth should not be treated without qualification but in terms of the kind of things the Chinese wanted to develop most rapidly. Having made a judgment in Chinese terms one can also make an independent evaluation from the standpoint of Western goals, but such a statement should be clearly identified for what it is.

3. The disenchantment with the slow payoff of capital intensive projects would be more convincing if the nature of the alternatives were made more explicit. If they could do it again would their list of machinery items to be produced domestically be amended greatly or would the original list be produced in less mechanized plants?

4. The evaluation might well be extended to include the Chinese choice as to which types of machinery and equipment to produce at home and which types to import from abroad - again in terms of Chinese objectives.

5. I question whether the materials imbalance was unique to China. In my estimate this imbalance developed throughout the Bloc, including the Soviet Union. To solve the problem most of the Bloc countries including the USSR have increased investment allocations to industrial raw materials in relation to those allocated to machine

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building proper. In Eastern Europe the USSR is exporting raw materials to the Satellites in order to partially underwrite their economic plans.

6. These suggestions, together with various minor comments, are further detailed in the attached notes, which I shall be happy to discuss with you [redacted] at your convenience.

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Attachment

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